offering a plurality of portions of the shares of the stock of the initial public offering to public investors over a plurality of serial offering stages, such that the offering stages are separated by at least one trading interval of a predetermined and predisclosed time period; and

trading at least one portion of the shares during the at least one trading interval, wherein the plurality of portions of the shares are owned by the privately-held company and wherein a pricing procedure for the plurality of portions of the shares is predetermined and predisclosed prior to offering a first of the plurality of portions.

RESPONSE

In the Office Action, the pending claims of the application (claims 1-19) were rejected under 35 U.S.C. § 103(a) as being unpatentable over U.S. Patent 5,940,810 to Traub in view of Logue, "Handbook of Modern Finance," 1995 Ed. In response, Applicant has herein amended claims 1, 7, 8 and 15 to clarify the claimed inventions. Applicant submits that the claim amendments are proper under 37 C.F.R. § 1.116(b) because the amendments constitute placing rejected claims in better form for consideration on appeal. For the reasons set forth below, Applicant submits that the pending claims are not obvious in view of the cited references.

Applicant has amended claim 1 to clarify that the predetermined time period is "predisclosed" and that both "the first portion of the shares and the second portion of the shares are owned by the privately-held company." In addition, claim 1 has been amended to clarify that the "pricing procedure for the first and second portions of the shares is predetermined and predisclosed prior to the first offering." Support for this amendment may be found, for example, a page 6, line 9 and page 8, lines 3-14, where the specification discloses that several different pricing mechanisms, and combinations thereof, may be used to set the price point for each

offering stage. Independent claim 15 has been similarly amended. Applicant submits that the cited references fail to teach or suggest, among other things, these features of claims 1 and 15

The Traub reference, as recognized in the Office Action at page 3, "does not expressly show offering a second or a plurality of serial offering stages." In addition, as a necessary consequence, Traub fails to teach or suggest making the second offering a predetermined and predisclosed time period after the first offering, as stated in amended claim 1. Furthermore, Traub therefore inherently fails to disclose that the pricing procedure for the first and second portions of the shares is "predetermined and predisclosed...prior to the first offering."

Logue also fails to show a serially staged offering where the company making the offering owns both portions of the shares to be offered as part of the IPO. The Logue reference refers to "primary" and "secondary" offerings, but this nomenclature simply refers to ***one*** offering with two different owners – one owned by the company and one owned "by a large shareholder." As plainly stated in Logue, "part of the issue represents new capital for the company and part is the sale of stock by existing shareholders that wish to liquidate all or some of their holdings." Moreover, the "primary" and "secondary" offerings in Logue occur simultaneously.

This makes the Logue reference fundamentally different from the method of claim 1. For one, amended claim 1 states that the company making the IPO owns the stock comprising each offering (irrespective of other shares that may also be sold by other parties that are not part of the claimed offering steps). It is only in this way that the proceeds from the offerings may directly benefit the company ("new capital"), rather than other shareholders. Logue, in contrast, expressly states that "a large shareholder" owns the shares of the secondary offering. The proceeds from the sale of this stock benefit the shareholder – not the company making the IPO.

Secondly, claim 1 states that the second offering occurs "a first trading interval of a first predetermined ***and predisclosed*** time period" after the first offering. In Logue, the "primary" and "secondary" offerings are simultaneous. This is because, as stated before, it is really ***one*** offering with two separate owners. Furthermore, given that the "primary" and "secondary" offerings in Logue are simultaneous, Logue inherently fails to show two offerings separated by a "predetermined and predisclosed" time period. Moreover, Logue therefore inherently fails to disclose that the pricing procedure for the first and second portions of the shares is "predetermined and predisclosed... prior to the first offering."

Thus, the claimed invention is different from Logue in at least four ways:

- *the offerings are separated by a trading interval;*
- *the trading interval is for a predetermined and predisclosed time period;*
- *the portions of the shares comprising the offerings are owned by the company making the IPO; and*
- *the pricing procedure for the offerings is predetermined and predisclosed prior to the first offering.*

In view of the foregoing, Applicant submits that claims 1 and 15 (and their respective dependent claims) are not obvious in view of Traub and Logue.

The Office Action also states, at page 3, "It is also well known that in the investment banking industry that a serial staged IPO is similar to a shelf registration." Applicant disagrees with this statement. As far as presently known by the Applicant, there has never been a serially staged IPO. Therefore, Applicant submits that it could not be well known in the investment banking industry that a serially staged IPO is similar to a shelf registration. In that connection, as allowed under MPEP § 2144.03, Applicant respectfully requests that the Office furnish any evidence it may have it this regard

Applicant also submits that shelf registrations are not relevant to the claimed invention. Shelf registration was permitted by the SEC in 1982 to reduce the transaction costs and delays of securities offerings by large companies that periodically and regularly offer securities. The sale of securities (mostly bonds) by this method is no different from follow-on offerings commonly made by public companies, except that after the disclosure required to put the securities "on the shelf," no additional disclosure filing needs be made for those securities at the time of actual sale, and the costs of underwriting may be reduced.

Currently, a shelf registration can only be made by a company which is *already public*, and which has outstanding publicly held securities of at least $150 Million, and which makes quarterly and other required on-going disclosures of material events and finances to the SEC. It is these quarterly filings that constitute the ongoing disclosure about the company necessary to offer the securities (apart from the initial disclosure about the securities themselves which is necessary to put them on the shelf). In essence, because of these on-going filings, it is deemed that the company has already made disclosure and the only thing the company must do to sell securities is to adequately describe them (e.g., preferred stock of a certain kind, or debt of a certain priority and covenants) – and so put them on the shelf. When the company decides to "take down" securities from the shelf and sell them, the company only needs to price them and find buyers (technically, it prices and finds buyers in advance of an actual "take down" or sale), and not go through any further steps and delays with the SEC. Under current rules, securities can stay on the shelf for only two years, however.

Thus, shelf registration is just a streamlined way of making regular offerings by existing large companies that are already public. No such mechanism exists for IPO stock (whereby a company actually becomes public). In that connection, shelf registrations differ from the

claimed invention in that shelf registrations do not involve the offering of shares of privately held companies *as part of an IPO*. Rather, shelf registrations are only available for publicly held companies. Also, the sale of "on-the-shelf" shares can occur at any time whereas, according to claims 1 and 15, the second offering occurs a "predetermined and predisclosed" time period after the first offering. Finally, shelf registrations are different from the claimed invention because the pricing procedures for the subsequent offerings are not "predetermined and predisclosed ... prior to the first offering."

To demonstrate the difference between shelf registration and claim 1, it should be recognized that the method of claim 1 may be used by a company doing an IPO and thereafter the company may take down shares from the shelf as part of a shelf registration offering. That is, the initial offering may be performed pursuant to the method of claim 1 and the subsequent shelf registration offerings, with the company already public, may be done pursuant to the conventional shelf registration technique. The shares taken down from the shelf, however, are not part of claim 1 because, as mentioned previously, (i) they are offered by an already public company (the offering stages of the IPO in claim 1 having been completed), (ii) the off-the-shelf shares are not offered a "predetermined and predisclosed" time period later, and (iii) the pricing procedure for the off-the-shelf shares is not predetermined and predisclosed prior to the first offering.

In view of the above, Applicant submits that independent claims 1 and 15, as well as their respective dependent claims, are not obvious in view of the cited references.

CONCLUSION

Applicant respectfully requests a Notice of Allowance for the pending claims in the present application. If the Examiner is of the opinion that the present application is in condition for disposition other than allowance, the Examiner is respectfully requested to contact the undersigned at the telephone number listed below in order that the Examiner's concerns may be expeditiously addressed.

Respectfully submitted,

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VERSION WITH MARKINGS TO SHOW CHANGES MADE

In the Claims

The claims have been amended as follows:

1. (Twice Amended) A method for offering shares of stock of a privately-held company to the public as part of an initial public offering, comprising:

offering a first portion of the shares of the stock of the initial public offering to public investors at a first price; and

offering a second portion of the shares of the initial public offering to public investors at a second price after a first trading interval of a first predetermined and predisclosed time period after the offering of the first portion, wherein the first portion of the shares and the second portion of the shares are owned by the privately-held company and wherein a pricing procedure for the first and second portions of the shares is predetermined and predisclosed prior to the first offering.

7. (Amended) The method of claim 1, wherein offering [a] the first portion of shares of the stock at a first price includes offering the first portion of the shares to a public investor via a computer network.

8. (Amended) The method of claim 1, wherein offering [a] the second portion of the shares at a second price includes offering the second portion of the shares to a public investor via a computer network.

15. (Twice Amended) A method for offering shares of stock of a privately-held company to the public as part of an initial public offering, comprising:

offering a plurality of portions of the shares of the stock of the initial public offering to public investors over a plurality of serial offering stages, such that the offering stages are separated by at least one trading interval of a predetermined and predisclosed time period; and

trading at least one portion of the shares during the at least one trading interval, wherein the plurality of portions of the shares are owned by the privately-held company and wherein a pricing procedure for the plurality of portions of the shares is predetermined and predisclosed prior to offering a first of the plurality of portions.